

**VILLAGES AT CASTLE ROCK  
METROPOLITAN DISTRICT NO. 6  
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6  
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Dazzio & Associates, PC

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Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Villages at Castle Rock Metropolitan District No. 6  
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of The Villages at Castle Rock Metropolitan District No. 6 as of and for the year December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112  
303-905-0809 • [info@dazziocpa.com](mailto:info@dazziocpa.com)

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Villages at Castle Rock Metropolitan District No. 6, as of December 31, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the The Villages at Castle Rock Metropolitan District No. 6's basic financial statements. The Supplementary Information and the Other Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Daggio & Associates, P.C.*

April 27, 2021

## **BASIC FINANCIAL STATEMENTS**

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 640,806
Cash and Investments - Restricted	64,062
Receivable - County Treasurer	20,535
Prepaid Expense	450
Property Taxes Receivable	2,954,934
Capital Assets, not being depreciated	2,065,418
Total Assets	5,746,205
<b>LIABILITIES</b>	
Accounts Payable	10,295
Fire Protection IGA Payable	340,530
Noncurrent Liabilities:	
Due Within One Year	2,200,000
Due in More Than One Year	73,265,099
Total Liabilities	75,815,924
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	2,954,934
Total Deferred Inflows of Resources	2,954,934
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserves	22,000
Debt Service	62,597
Unrestricted	(73,109,250)
Total Net Position	\$ (73,024,653)

See accompanying Notes to Basic Financial Statements.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Governmental Activities:					
General Government	\$ 439,839	\$ -	\$ -	\$ -	\$ (439,839)
Public Works - Contribution to Other Government	7,950,246	-	-	-	(7,950,246)
Interest and Related Costs on Long-Term Debt	5,481,938	-	-	-	(5,481,938)
Total Governmental Activities	\$ 13,872,023	\$ -	\$ -	\$ -	(13,872,023)
<b>GENERAL REVENUES</b>					
Property Taxes					2,309,256
Specific Ownership Taxes					229,055
Fire Protection IGA					345,718
Net Investment Income					924
Total General Revenues					2,884,953
<b>CHANGE IN NET POSITION</b>					(10,987,070)
Net Position - Beginning of Year					(62,037,583)
<b>NET POSITION - END OF YEAR</b>					\$ (73,024,653)

See accompanying Notes to Basic Financial Statements.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 640,806	\$ -	\$ 640,806
Cash and Investments - Restricted	22,000	42,062	64,062
Accounts Receivable - County Treasurer	-	20,535	20,535
Prepaid Expenses	450	-	450
Property Taxes Receivable	813,111	2,141,823	2,954,934
Total Assets	\$ 1,476,367	\$ 2,204,420	\$ 3,680,787
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 10,295	\$ -	\$ 10,295
Fire Protection IGA Payable	340,530	-	340,530
Total Liabilities	350,825	-	350,825
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	813,111	2,141,823	2,954,934
Total Deferred Inflows of Resources	813,111	2,141,823	2,954,934
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Expenses	450	-	450
Restricted For:			
Emergency Reserves	22,000	-	22,000
Debt Service	-	62,597	62,597
Assigned To:			
Subsequent Year's Expenditures	270,289	-	270,289
Unassigned	19,692	-	19,692
Total Fund Balances	312,431	62,597	375,028
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,476,367	\$ 2,204,420	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets	2,065,418
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Long-term liabilities including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

Bonds Payable	(45,573,406)
Subordinate Bonds Payable	(1,592,000)
Accrued Interest Payable - 2007 Subordinate Bonds	(5,665,392)
Accrued Interest Payable - Developer Advance	(7,180,526)
Developer Advance Payable	(15,453,775)

Net Position of Governmental Activities	\$ (73,024,653)
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See accompanying Notes to Basic Financial Statements.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 384,853	\$ 1,924,403	\$ 2,309,256
Specific Ownership Taxes	-	229,055	229,055
Net Investment Income	220	704	924
Fire Protection IGA	345,718	-	345,718
Total Revenues	730,791	2,154,162	2,884,953
<b>EXPENDITURES</b>			
Current:			
Accounting	21,808	-	21,808
Audit	4,700	-	4,700
Election	1,123	-	1,123
Legal	23,201	-	23,201
Management	19,346	-	19,346
Pond Maintenance	8,487	-	8,487
Insurance and Bonds	9,338	-	9,338
County Treasurer's Fees	10,962	28,875	39,837
Fire Protection IGA	340,530	-	340,530
Miscellaneous	344	-	344
Debt Service:			
Bond Principal Series 2007 CAP Bond - #1	-	823,456	823,456
Bond Interest Series 2007 CAP Bond - #1	-	1,514,544	1,514,544
Paying agent fees	-	1,815	1,815
Total Expenditures	439,839	2,368,690	2,808,529
<b>NET CHANGE IN FUND BALANCES</b>	290,952	(214,528)	76,424
Fund Balances - Beginning of Year	21,479	277,125	298,604
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 312,431</b>	<b>\$ 62,597</b>	<b>\$ 375,028</b>

See accompanying Notes to Basic Financial Statements.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$	76,424
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset.</p>		
Dedication of Capital Assets to Other Governments		(7,950,246)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Accreted Bonds Payable - Change in Liability		(1,346,242)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued Interest Payable - 2007 Subordinate Bonds		(799,890)
Interest on Developer Advance		(967,116)
		(1,767,048)
Change in Net Position of Governmental Activities		\$ (10,987,070)

See accompanying Notes to Basic Financial Statements.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 384,925	\$ 384,853	\$ (72)
Net investment income	100	220	120
Fire Protection IGA	345,782	345,718	(64)
Total Revenues	730,807	730,791	(16)
<b>EXPENDITURES</b>			
Current:			
Accounting	27,500	21,808	5,692
Audit	4,800	4,700	100
Election	1,000	1,123	(123)
Legal	15,000	23,201	(8,201)
District Management	17,500	19,346	(1,846)
Detention Pond Maintenance	7,660	8,487	(827)
Insurance and Bonds	9,000	9,338	(338)
County Treasurer's Fees	10,961	10,962	(1)
Fire Protection IGA	340,595	340,530	65
Miscellaneous	100	344	(244)
Contingency	3,384	-	3,384
Total Expenditures	437,500	439,839	(2,339)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	293,307	290,952	(2,355)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(295,000)	-	295,000
Total Other Financing Sources (Uses)	(295,000)	-	295,000
<b>NET CHANGE IN FUND BALANCE</b>	(1,693)	290,952	292,645
Fund Balance - Beginning of Year	34,350	21,479	(12,871)
<b>FUND BALANCE - END OF YEAR</b>	\$ 32,657	\$ 312,431	\$ 279,774

See accompanying Notes to Basic Financial Statements.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Villages at Castle Rock Metropolitan District No. 6 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by Order and Decree of the Douglas County District Court on August 15, 1984, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Second Amended and Restated Service Plan approved by the Town of Castle Rock on April 27, 2004. The District's service area is located in Douglas County, Colorado. The District was established to provide construction, installation, financing and operation of public improvements, including water, sanitary, storm sewer, streets, parks and recreation facilities, safety, transportation, television relay, fire protection, and mosquito control primarily for single-family, residential development within the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank or investment account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**Fund Balance (Continued)**

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 640,806
Cash and Investments - Restricted	64,062
Total Cash and Investments	\$ 704,868

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 684,157
Investments	20,711
Total Cash and Investments	\$ 704,868

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District's cash deposits had a bank balance of \$684,157 and a carrying balance of \$684,157.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- \* Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ -
U.S. Treasury Money Market Fund	Weighted Average Under 60 Days	20,711
Total Investments		<u>\$ 20,711</u>

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**First American Government Obligation Fund**

The debt service money that is included in the trust accounts at U.S. Bank is invested in the First American Government Obligation Fund. This portfolio is a money market mutual fund which invests in U.S. Government Securities, which are fully guaranteed as to principal and interest by the United States, with maturities of 31 days or less and repurchase agreements collateralized by U.S. Government Securities. The Fund is rated AAAM by Standard & Poor's.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	Balance at December 31, 2019	Increases	Decreases	Balance at December 31, 2020
Capital Assets, Not Being Depreciated:				
Detention Ponds	\$ 2,065,418	\$ -	\$ -	\$ 2,065,418
Construction in Progress:				
Streets	3,241,904	-	3,241,904	-
Water	1,017,556	-	1,017,556	-
Sanitary and Storm	1,830,419	-	1,830,419	-
Park and Recreation	1,860,367	-	1,860,367	-
 Total Capital Assets, Not Being Depreciated	 <u>\$ 10,015,664</u>	 <u>\$ -</u>	 <u>\$ 7,950,246</u>	 <u>\$ 2,065,418</u>

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

During 2020, the remaining capital assets constructed and/or acquired by the District were conveyed to the Town of Castle Rock. The costs of all capital assets transferred to the Town were removed from the District's financial records. It is anticipated that any future capital improvements, with the exception of the detention ponds, will be transferred to the Town.

**NOTE 5 LONG-TERM OBLIGATIONS**

The District's outstanding long-term obligations at December 31, 2020, were as follows:

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
Long Term Debt - Direct Borrowings:					
2007 Bonds - Accreted Value	\$ 44,227,164	\$ 3,684,242	\$ 2,338,000	\$ 45,573,406	\$ 2,200,000
2007 Subordinate Obligations	1,592,000	-	-	1,592,000	-
Accrued Interest - 2007 Subordinate Obligations - as restated	4,865,502	799,890	-	5,665,392	-
Developer Advance - Facilities Funding	15,286,423	-	-	15,286,423	-
Developer Advance - Operations Funding	167,352	-	-	167,352	-
Interest on Developer Advance - Facilities	6,077,213	955,401	-	7,032,614	-
Interest on Developer Advance - Operations	136,197	11,715	-	147,912	-
Total Long Term Debt - Direct Borrowings	<u>\$ 72,351,851</u>	<u>\$ 5,451,248</u>	<u>\$ 2,338,000</u>	<u>\$ 75,465,099</u>	<u>\$ 2,200,000</u>

**Limited Tax General Obligation Capital Appreciation Bonds (CABs) Series 2007**

On December 21, 2007, the District issued \$22,647,882 in Limited Tax General Obligation Capital Appreciation Bonds (CABs). The CABs accrete, compound and bear interest, as noted below. The proceeds were used to pay for bond issuance costs and to reimburse the Developer for advances made on behalf of the District for capital infrastructure costs.

The bonds are subject to mandatory sinking fund redemptions beginning on December 1, 2010, and on each December 1 thereafter. The bonds are also subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, as stated per the 2017 Amended Indenture below.

The Indenture pursuant to which the bonds were issued was amended and restated on November 16, 2015 (with the consent of the owners of 100% of the outstanding bonds), to clarify certain ambiguities, but such amendment and restatement did not modify any material terms of the bonds.

On February 1, 2017, the Amended and Restated Indenture pursuant to which the CABs were issued was subsequently amended by a First Supplement thereto for the purpose of extending the optional redemption provision of the CABs, in exchange for which the per annum accretion rate of the CABs was reduced from 8.25% to 8.20% commencing on June 1, 2017. The amendment changed the accreted value of the bonds to \$4,951, from \$5,000. Optional redemption is available on December 1, 2027, and any date thereafter, upon payment of the full accreted value of the bonds, with no redemption premium.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Limited Tax General Obligation Capital Appreciation Bonds (CABs) Series 2007 (Continued)**

The annual debt service requirements on the 2007 Bonds are not presented as the current revenue stream is not sufficient to pay the debt according to the debt service schedule presented at the time of the bond issuance. So long as the District levies the Required Mill Levy and applies the Pledged Revenue, the inability of the District to pay the debt service requirements with respect to the Bonds when they come due does not constitute an event of default. Payment is subject to monies being available pursuant to provisions of the Indenture of Trust. In 2020, the District redeemed and paid 1,851 bonds with an accreted value of \$1,213, leaving a balance of 35,841 bonds with an accreted value of approximately \$1,271 at December 31, 2020.

**Limited Tax General Obligation Subordinate Bonds**

On December 21, 2007, the District adopted a resolution authorizing the issuance of Subordinate Bonds in the aggregate principal amount not to exceed \$37,352,118. The District issued \$1,592,000 against the authorized aggregate principal amount on December 21, 2007. The Subordinate Bonds were issued pursuant to a Capital Funding and Acquisition Agreement, dated December 27, 2007, and shall be payable on a subordinate basis to the CABs. The Capital Funding and Acquisition Agreement is in effect until the earlier of the repayment of all Subordinate Bonds or December 1, 2047, at which point the Subordinate Bonds will be terminated.

The Subordinate Bonds bear interest at 12% per year and interest compounds semi-annually. The Subordinate Bonds are to be paid with the proceeds of any future bond issuance or from any available Pledged Revenue pursuant to terms of the Trust Indenture. Issuance of any additional debt against the aggregate principal amount will require prior approval from the Town of Castle Rock (the Town).

The CABs and the Subordinate Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) the Required Mill Levy, 2) all Specific Ownership Tax collected by the District, 3) the Capital Fees, and 4) any other legally available monies which the District determines, in its sole discretion, to credit to the Bond Fund. Required Mill Levy means an ad valorem mill levy of 50.000 mills imposed upon all taxable property of the District each year. The Required Mill Levy will be adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2020, the adjusted Required Mill Levy is 55.664 mills.

The annual debt service requirements on the Subordinate Bonds are not currently determinable since they are payable only from excess pledged revenue available after payment of the CABs, therefore no debt service schedule has been presented. As of December 31, 2020, the District owed \$1,592,000 and \$5,665,392 of outstanding principal, and accrued and unpaid outstanding interest, respectively.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization**

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$60,000,000 for general obligation bonds at an interest rate not to exceed 18% per annum. In addition, the electors authorized the refunding of up to \$60,000,000 in general obligation bonds at a higher interest rate. As of December 31, 2020, the District had authorized but unissued general obligation indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized	Amount Used Series 2007	Remaining Authorization
Streets	\$ 30,000,000	\$ 14,327,855	\$ 15,672,145
Water	10,000,000	1,314,297	8,685,703
Sewer	10,000,000	6,923,699	3,076,301
Parks and Recreation	5,000,000	1,033,724	3,966,276
Mosquito Control	1,000,000	388,392	611,608
TV Relay	1,000,000	-	1,000,000
Transportation	1,000,000	-	1,000,000
Traffic and Safety	2,000,000	251,915	1,748,085
Refunding	60,000,000	-	60,000,000
Total	<u>\$ 120,000,000</u>	<u>\$ 24,239,882</u>	<u>\$ 95,760,118</u>

Pursuant to the Service Plan, any additional debt issued by the District will require prior approval by the Town. Maximum debt service mill levy per the Service Plan is 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2020, the maximum debt service mill levy per the Service Plan, as adjusted, is 55.664 mills.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**NOTE 6 NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 6 NET POSITION (CONTINUED)**

The District had restricted net position as of December 31, 2020, as follows:

Restricted Net Position:	
Emergency Reserves	\$ 22,000
Debt Service	62,597
Total Restricted Net Position	<u>\$ 84,597</u>

The District has a deficit in unrestricted net position. This deficit amount is the result of the District being responsible for the financing and repayment of bonds issued and for the repayment of Developer advances received for the construction of public improvements.

**NOTE 7 RELATED PARTIES**

The Developer of the property which constitutes the District is M.D.C. Land Corporation. Prior to May 5, 2020, all members of the Board of Directors were current or former employees, owners, or otherwise associated with the Developer and may have conflicts of interest in dealing with the District. As of May 5, 2020 three members of the Board of Directors are residents of the Districts, and two members are current employees, owners or otherwise associated with the Developer and may have conflicts of interest in dealing with the District.

**Facilities Funding, Reimbursement and Acquisition Agreement**

In January 2006, the District entered into the Facilities Funding, Reimbursement and Acquisition Agreement with the Developer. Under the Agreement the District has agreed to repay the Developer for advances received prior to December 31, 2005, along with interest at the rate of 6.25% per year. Also under the terms of the Agreement, the District agrees to acquire eligible improvements from the Developer for any such improvements that the Developer constructs.

On November 16, 2015, the District and the Developer entered into that certain Agreement Regarding Water Main Construction Reimbursement whereby the District acquired certain water main improvements constructed by the Developer pursuant to a cost sharing agreement between the Developer and Castle Oaks Metropolitan District. The Developer agreed to reduce the amount of the District's obligation under the Facilities Funding, Reimbursement and Acquisition Agreement for such water mains by the amount paid by Castle Oaks Metropolitan District pursuant to the cost sharing agreement.

**Operation Funding Agreements**

On December 5, 2008 (effective January 1, 2009), the District entered into an Operation Funding and Reimbursement Agreement (the 2009 OFA) to repay advances made by the Developer for operations and maintenance (O&M) costs. The District agreed to repay the Developer for such O&M advances plus accrued interest at a rate of 7%. Repayments of advances, to the extent the District has funds available to do so, is to occur December 2 of each year. Repayments are applied first to the 2005 OFA (as defined in the 2009 OFA) and then to the 2009 accrued and unpaid interest and then to the 2009 OFA principal amounts.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 7 RELATED PARTIES (CONTINUED)**

**Operation Funding Agreements (Continued)**

On December 11, 2009 (effective January 1, 2010), the District entered into an Operation Funding Agreement (the 2010 OFA) to repay advances made by the Developer for operations and maintenance (O&M) costs. The District agreed to repay the Developer for such O&M advances plus accrued interest at a rate of 7%. Repayments of advances, to the extent the District has funds available to do so, is to occur December 2 of each year. Repayments are applied first to the 2005 OFA, then to the 2009 OFA, and then to the 2010 accrued and unpaid interest and then to the 2010 OFA principal amounts, as defined in the 2010 OFA.

On November 12, 2010 (effective January 1, 2011), the District entered into an Operating Funding Agreement (the 2011 OFA) to repay advances made by the Developer for operations and maintenance (O&M) costs. The District agreed to repay the Developer for such O&M advances plus accrued interest at a rate of 7%. Repayments of advances, to the extent the District has funds available to do so, is to occur December 2 of each year. Repayments are applied first to the 2005 OFA, then to the 2009 OFA, then to the 2010 OFA, and then to the 2011 OFA.

**NOTE 8 INTERGOVERNMENTAL AGREEMENTS**

**Fire Protection and Emergency Response Intergovernmental Agreement**

The District entered into a Fire Protection and Emergency Response IGA with the Town of Castle Rock in 2007. Under the agreement, the Town is obligated to provide fire protection and emergency response services to property within the District and the District shall impose a mill levy of 10 mills dedicated and pledged to the Town for this purpose. In 2020, the amount collected under this agreement totaled \$340,530 and was remitted on February 25, 2021.

**NOTE 9 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 9 RISK MANAGEMENT (CONTINUED)**

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On May 4, 2004, a majority of the District's electors authorized the District to collect and spend \$4,000,000 annually of ad valorem taxes of the District for operations and maintenance without regard to any limitations under TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

## **SUPPLEMENTARY INFORMATION**

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,924,763	\$ 1,924,403	\$ (360)
Specific Ownership Tax	238,992	229,055	(9,937)
Net Investment Income	8,000	704	(7,296)
Total Revenues	<u>2,171,755</u>	<u>2,154,162</u>	<u>(17,593)</u>
<b>EXPENDITURES</b>			
Debt Service:			
County Treasurer's Fees	28,871	28,875	(4)
Paying Agent Fees	1,815	1,815	-
Bond Principal Series 2007 CAP Bond - #1	774,852	823,456	(48,604)
Bond Interest Series 2007 CAP Bond - #1	1,425,148	1,514,544	(89,396)
Bond Interest Series 2007 CAP Bond - #2	435,000	-	435,000
Miscellaneous	100	-	100
Contingency	2,214	-	2,214
Total Expenditures	<u>2,668,000</u>	<u>2,368,690</u>	<u>299,310</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(496,245)	(214,528)	281,717
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Other Funds	295,000	-	(295,000)
Total Other Financing Sources (Uses)	<u>295,000</u>	<u>-</u>	<u>(295,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(201,245)	(214,528)	(13,283)
Fund Balance - Beginning of Year	<u>253,452</u>	<u>277,125</u>	<u>23,673</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 52,207</u>	<u>\$ 62,597</u>	<u>\$ 10,390</u>

## **OTHER INFORMATION**

**VILLAGES AT CASTLE ROCK METROPOLITAN DISTRICT NO. 6  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Total Mills Levied		Refunds & Abatements	Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service		Levied	Collected	
2016	\$ 12,365,710	20.000	50.000	0.000	\$ 865,600	\$ 837,914	96.80 %
2017	17,384,190	20.000	50.000	3.603	1,279,529	1,279,530	100.00
2018	25,734,990	21.055	55.277	0.000	1,964,403	1,964,406	100.00
2019	27,160,180	21.055	55.277	0.000	2,073,191	2,073,191	100.00
2020	34,578,230	21.132	55.664	0.000	2,655,470	2,654,974	99.98
Estimated for Year Ending December 31, 2021	\$ 38,477,700	21.132	55.664	0.000	\$ 2,954,934		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of a specific year of levy.